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18 FEB 1960

MEMORANDUM FOR: Comptroller

SUBJECT : Report on Current Status of Financial Policy Group Activities

1. Our Financial Management Program is being developed on a continuing basis in three stages:
 - a. The determination of policy for both experiments and financial operations.
 - b. Implementation of policy through the preparation of procedures, format, and reports.
 - c. Utilization of the resulting financial data to aid operating management in the preparation of plans (budgets) and the control and evaluation of results (accounting and reporting).
2. The Comptroller Financial Policy Planning Group was established to facilitate the policy determination process and to coordinate the activities of all components of the Comptroller's Office towards fulfilling the policy decisions. In order to have the necessary policy decisions made sufficiently in advance to provide for orderly and well understood implementation, I have been holding regular policy meetings for the past three weeks. There follows a brief summary of the current status of the subjects on the agenda for policy group discussions.

3.

<u>Subject</u>	<u>Status</u>
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a. Accounting System:

(1) Accrued Costing

Most categories of cost items are now being accrued. The remaining items are covered in the attached Financial Policy Memorandum 60-1.

(2) Financial Coding

The Financial Code Committee has been re-established with as Chairman. The current assignment is to work with the DD/I and DD/S Areas to make sure all offices understand the purpose of coding and are assisted in taking full advantage of the possibilities for management data that the code structure offers. No work is being undertaken in the DD/P Area pending receipt of the new program planning document. Also see comments under 3.c. Machine Operations.

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- (3) Miscellaneous Accounting Items:
- (a) Procedures Review

TAS has been directed to review to the maximum extent possible the working level effectiveness of all Comptroller procedures.
 - (b) Real Property

TAS is working with the Office of Logistics to develop a procedure to become effective 1 July 1960.
 - (c) Other Property

FPA will be completely installed by 1 July 1960. Statements clarifying property accounting policy are included in Financial Policy Memoranda 60-2 and 60-3, attached.
- b. Budgeting - 1961 Format and Procedures

No policy meeting held to date. An exploratory discussion was held concerning the importance of an early decision to facilitate education and budget planning.
- c. Machine Operations and Reporting
- (1) General

It was reported that the 501 would not be operative until October 1960. As a result a decision was made that the financial code could not be expanded until Fiscal Year 1961. This decision is subject to modification if the DD/P Area requirements for information necessitate installing tapewriters by 1 July.
 - (2) Decentralized Obligation Control

A final decision on decentralized obligation control over vouchered funds has been deferred pending determination as to whether or not this accounting function could be handled by the 501.

In view of this possibility it was decided the experiment being conducted in the Comptroller's Office could be stopped (about 4 man-days a month are required for record keeping).
 - (3) Future Application of Machine Techniques to Other Problems

The question of establishing a group to study the application of the 501 to other than the current accounting problems such as budget preparation was discussed. No firm decision has been reached at this time.

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d. Object Class Study

A committee chaired by [] has completed a study of object class data requirements and it was presented to the policy group. Final action could not be taken because the Budget Division requested more time for study (this request due to the pressure of preparing the Congressional Budget). Generally, the proposed new handbook represents a decided improvement over the present structure and should provide a good work tool leading to a more uniform interpretation and classification of accounting data.

e. Procurement Planning and Funding

A proposal was made at a policy meeting embodying the following:

1. All procurement funds be held for allotment by the Comptroller.
2. A single procurement account control symbol be used for world-wide procurement of all 08 and 09 items with special designators to indicate the locality of procurement.
3. All property be subject to cost authority.

A staff study is being prepared to explain more fully how the fund controls and cost controls will work. Final policy decisions will be made after the staff study is reviewed.

f. Miscellaneous Items

(1) Allotment Policy

No meeting on this subject.

(2) Cost Authority Policy

This item was discussed at one meeting and it was decided that in addition to property, books, and printing an attempt would be made to add another indirect cost item in Fiscal Year 1961. The item proposed is some of the Communications costs recommended by the Office of Communications. TAS is to study this problem and develop a procedure.

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| (3) Training Program | No meeting on this subject |
| (4) Glossary of Comptroller
Terms | No action on this item |
| (5) Handbook on Valid
Obligations | No action on this item |

4. Most of the unresolved items can be studied and reports rendered for action upon my return. However, three items should be resolved in the near future in order to provide adequate time to develop the necessary procedures and instruct personnel in the operating offices. These items are 3.b Budget Format for 1961; 3.e., Procurement Planning and Funding; and 3.f.(2), Cost Authority Policy. I recommend that you hold policy meetings on these subjects within the next two weeks.



Deputy Comptroller

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Attachments

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